

PROPERTY TAXES

The City's property tax is levied each October 1 on the certified assessed value as of January 1 for all real and personal property. The appraisal of property is the responsibility of the Fort Bend Central Appraisal District. Appraisals may be challenged through various appeals and, if necessary, legal action. The City is permitted by the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general government services including the payment of principal and interest on general obligation long-term debt.

The City owns and operates the Sugar Land Regional Airport and has a policy to transfer all taxes received on airport valuations to the Airport Enterprise Fund for operating expenses and development. The City also has a policy whereby the City rebates a portion of the property taxes collected from in-City MUDs back to the districts. In tax year 2002, TIRZ#1 was formed which includes the Town Square. Taxes assessed and collected by the participating entities (City, County, LID#2) over and above the base value of the property upon creation of the TIRZ (\$5.5 million) are deposited to the benefit of the TIRZ to support improvements within the TIRZ.

Fiscal Year 2005/06

The total property tax collections for fiscal year 2005/06 are projected to be \$19,755,838 or 99.2% of the adjusted levy, including the TIRZ. In December 2005, the City dissolved Fort Bend MUD 113 and collected the MUD's 2005 tax levy. Those taxes are not reflected in this schedule but are included in the General Fund and Debt Service funds budget and projections.

Fiscal Year 2006/07

The certified net assessed valuation of \$7,161,903,125 for tax year 2006 is \$940,266,067 or 15.1% greater than the 2005 adjusted tax roll, including the TIRZ. Of the \$7.1 billion in certified value, \$84.2 million is included in TIRZ #1, and taxes collected on this valuation will be allocated to the TIRZ from the City. Net assessed residential value increased 15.4%, and net assessed commercial value increased 11.5% over the 2005 adjusted tax roll, including new value. Based on the certified tax roll and the approved tax rate of \$0.30655 per \$100 of assessed value, the anticipated tax collections for fiscal year 2006/07 are \$21,779,176 at a 99.2% collection rate or \$2 million greater than 2005/06 projections including the TIRZ. Based on the 99.2% collection rate, \$21,522,935 will remain with the City and \$256,241 will be conveyed to the TIRZ.

In the last several years the City has increased the over-age and disabled persons exemption based on the average residential revaluation percentage increase. In June 2006, City Council approved a 2006 over-age and disabled persons exemption of \$69,827. A total of \$191.27 million in value is subject to this exemption for tax year 2006. Over-age and disabled persons will see a savings on their tax bill of \$229, including the homestead exemption at the adopted tax rate.

The budget reallocates \$0.00524 of the tax rate from Debt Service to operations and maintenance in fiscal year 2006/07 in support of additional funding earmarked for drainage within the tax rate, and reduces the overall tax rate by \$0.01056. The fiscal year 2006/07 adopted tax rate and allocation, compared to fiscal year 2005/06, is as follows:

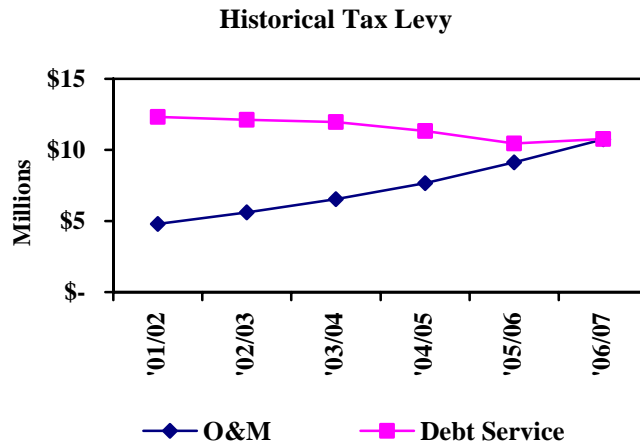
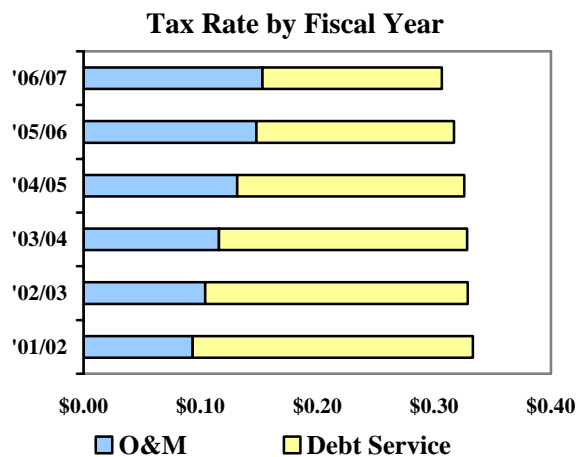
	<u>FY 2005/06</u>	<u>%</u>	<u>FY 2006/07</u>	<u>%</u>
Operations and Maintenance	\$0.14783	46.6	\$0.15307	49.9
Debt Service	<u>\$0.16928</u>	<u>53.4</u>	<u>\$0.15348</u>	<u>50.1</u>
Total	\$0.31711	100.0	\$0.30655	100.0

Recent changes to the truth in taxation laws require public notices, a public vote and public hearings for adoption of a tax rate that exceeds the effective tax rate. The effective tax rate is the tax rate that would generate the same tax revenues in tax year 2006 as the 2005 tax rate did in the prior year, based on the values of properties that are taxed in both years. The results of the effective tax rate calculations follow:

Effective Tax Rate	\$0.30090
Effective Tax Rate + 3%	\$0.30990
Adopted Tax Rate	\$0.30655
Rollback Rate	\$0.32414

The City Council's approved tax rate is consistent with the City's Financial Management Policy Statements indicating that the City will adopt a tax rate no greater than the Effective Tax Rate + 3%, when financially feasible.

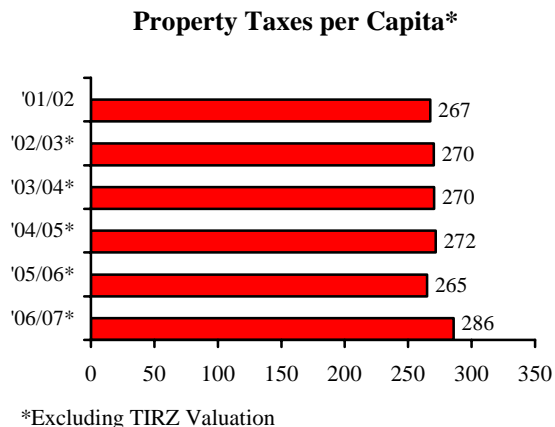
The property tax impact of the 2006 adopted tax rate based on an average home value of \$216,720 with a homestead exemption of \$5,000 for fiscal year 2006/07 is an increase of \$3.38 or 0.5% from the 2005 tax on an average home value of \$208,605 with a homestead exemption of \$5,000.



The charts above represent historical views of the City's tax rate and the allocation of the levy based on the tax rate. Both charts indicate a shift in the tax rate allocation as the City is realizing increased operating expenses due to completion of capital improvement projects. As the City has lowered the overall tax rate, debt service tax revenues have declined while the operations and maintenance tax revenues have increased due to reallocation of the tax rate.

Sales tax for property tax reduction for fiscal year 2006/07 is \$8,603,181, which equates to a tax rate of \$0.1216. Since fiscal year 1992/93, when the first sales tax for property tax reduction was implemented, the City has lowered the tax rate \$0.19345 which is \$0.07185 per \$100 assessed valuation more than what the City has been able to fund with the sales tax generated for property tax rate reduction.

The fiscal year 2006/07 budget increases the operations and maintenance tax levy through a reallocation of the tax rate from the debt service to the operations and maintenance component. Commercial exemptions of \$99.7 million are 16% higher than fiscal year 2005/06 due new tax abatements. Residential exemptions of \$285.8 million are relatively unchanged, with a 5.8% increase from last year due to additional homestead exemptions added as a result of the annexation of MUD 113. Four types of residential exemptions can be declared: homestead, over 65, disabled person, and disabled veterans. Each exemption is calculated within its own guidelines. The City offers a 1% or \$5,000 homestead exemption, and the 2006 exemption for over-65 and disabled persons and qualifying spouses is \$69,827. Residential exemptions are indefinite, while tax abatements have a stated maturity date. Revenues lost to residential exemptions, including the increase to the over-age and disabled persons exemption, are \$876,374 or \$0.0124 on the tax rate and revenues lost to commercial exemptions are \$305,668 or \$0.0043 on the tax rate. The City also exempts personal leased automobiles from taxation. Revenues lost to automobile exemptions total \$111,932, for total revenues lost of \$1,293,974.



In fiscal year 2006/07, property taxes per capita, excluding TIRZ valuation, are expected to be \$286. The increase in taxes per capita is due to addition of value for new commercial improvements and personal property as well as the addition of residential value from the annexation of Fort Bend MUD 113.

CITY OF SUGAR LAND
TAX COLLECTIONS

	FY 04/05 Adjusted Levy	FY 05/06 Budget Certified Levy	FY 05/06 Projections Adjusted Levy	FY 06/07 Base Budget Preliminary Levy	Program Enhance- ments	FY 06/07 Budget Preliminary Levy
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REVENUES:

City Levy	\$ 19,100,500	\$ 19,532,113	\$ 19,717,840	\$ 22,443,906	\$ (747,399)	\$ 21,696,507
TIRZ #1	121,592	197,320	197,320	267,205	(8,898)	258,307
Collection Rate 99.2%	19,068,315	19,571,598	19,755,838	22,529,422	(750,247)	21,779,176

ALLOCATION:

Operations & Maintenance	7,638,886	9,032,616	9,118,505	10,379,173	367,901	10,747,074
Debt Service	11,308,810	10,343,240	10,441,592	11,885,182	(1,109,321)	10,775,861
TIRZ #1	120,619	195,741	195,741	265,068	(8,827)	256,241
TOTAL ALLOCATION	\$ 19,068,315	\$ 19,571,598	\$ 19,755,838	\$ 22,529,423	\$ (750,247)	\$ 21,779,176

<u>Tax Year</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>
Net Valuation	\$5,692,941,018	\$5,902,140,700	\$6,221,637,058	\$ 7,161,903,125		\$ 7,161,903,125
TIRZ #1 Added Value	(19,040,210)	(37,334,850)	(62,224,430)	(84,262,700)		(84,262,700)
Taxable to City	5,673,900,808	5,864,805,850	6,159,412,628	7,077,640,425		7,077,640,425

Tax Rate Per \$100

Operations & Maintenance	\$ 0.11588	\$ 0.13130	\$ 0.14783	\$ 0.14783	\$ 0.00524	\$ 0.15307
Debt Service	0.21252	0.19438	0.16928	\$ 0.16928	\$ (0.01580)	\$ 0.15348
Total Tax Rate	\$ 0.32840	\$ 0.32568	\$ 0.31711	\$ 0.31711	\$ (0.01056)	\$ 0.30655

Tax Rate Split:

Operations & Maintenance	35.29%	40.32%	46.62%	46.62%		49.93%
Debt Service	64.71%	59.68%	53.38%	53.38%		50.07%
Total	100.00%	100.00%	100.00%	100.00%		100.00%

Certified Tax Levy - 100%	\$ 18,695,618	\$ 19,222,092	\$ 19,729,433	\$ 22,711,111		\$ 21,954,814
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CITY OF SUGAR LAND
ANALYSIS OF CERTIFIED TAX ROLL

Tax Year	Adjusted 2005 2005/06	Certified 2006 2006/07	% Change
No. of Items	30,524	33,431	9.52%
Residential Property:			
Land	\$ 900,898,160	\$ 1,075,351,950	19.36%
Improvements	3,466,109,072	3,929,872,647	13.38%
Total Residential Property	4,367,007,232	5,005,224,597	14.61%
Commercial Property:			
Land	609,284,970	665,004,680	9.15%
Improvements	1,176,627,220	1,346,941,010	14.47%
Personal Property	848,016,954	918,636,254	8.33%
Total Commercial Property	2,633,929,144	2,930,581,944	11.26%
Agricultural Property	27,996,740	32,715,780	16.86%
Automobiles	40,391,992	48,053,213	18.97%
Total Market Value	7,069,325,108	8,016,575,534	13.40%
Productivity Loss	(27,574,330)	(32,312,690)	17.18%
Homestead CAP Adjustment	(44,290,170)	(40,955,045)	-7.53%
Exempt Properties	(330,795,320)	(359,296,060)	8.62%
Total Assessed Value	6,666,665,288	7,584,011,739	13.76%
Less:			
Homestead Exemptions	(87,422,271)	(92,968,376)	6.34%
Over 65 Exemptions	(168,048,525)	(177,381,585)	5.55%
Disabled Persons Exemptions	(13,135,798)	(13,888,990)	5.73%
Disabled Veterans Exemptions	(1,604,000)	(1,644,000)	2.49%
Abatements	(81,338,290)	(94,312,710)	15.95%
Pollution	(4,322,080)	(4,202,780)	-2.76%
Personal Leased Vehicles	(30,266,611)	(36,513,355)	20.64%
Prorated Exempt Property	(320,040)	(1,193,991)	273.08%
House Bill 366 Exemptions	(2,223)	(2,827)	
Total Exemptions	(386,459,838)	(422,108,614)	9.22%
Net Assessed Valuation (NAV)	\$ 6,280,205,450	\$ 7,161,903,125	14.04%
Less: TIRZ Value	(62,224,430)	(84,262,700)	
Taxable Valuation to City	6,217,981,020	7,077,640,425	13.83%

2006 Tax Levy Calculation (including TIRZ value)		
(NAV *0.30655*.992)=	\$	21,779,176
One-cent on 2006 Net AV*.992	\$	710,461

CITY OF SUGAR LAND
PRINCIPAL TAXPAYERS
Tax Year 2006

Taxpayer	Type of Business	2006 Taxable Assessed Valuation (A)	Percentage of Total Net Assessed Valuation
1 Lakepointe Assets, LLC	Real Estate/Engineering	\$81,849,550	1.14%
2 Tramontina USA Inc	Manufacturing	75,432,590	1.05%
3 STC, MFG Group-SPC	Energy Technology	73,187,970	1.02%
4 Amerisource Bergen Corp.	Pharmacy/Medical	56,175,320	0.78%
5 Sugar Land Telephone Co.	Telephone Utility	56,127,830	0.78%
6 Nalco Energy Services	Chemical Manufacturing	55,462,450	0.77%
7 Sugar Creek Place, LP	Office Building - Unocal	50,240,950	0.70%
8 GGP - Sugar Land Mall, LP	First Colony Mall	32,770,150	0.46%
9 STC MFG Group-SCD Vector	Energy Technology	30,327,170	0.42%
10 Inland Western Sugar Land Colony LP	River Park Shopping Center	29,983,660	0.42%
11 Weingarten Realty Investors	First Colony Commons Shopping Center	28,896,570	0.40%
12 Suntron	Manufacturing/Warehouse/Distribution	28,677,840	0.40%
13 Weingarten Realty Investors	Shopping Center	28,152,500	0.39%
14 Schlumberger Tech - Admin & SPC	Energy Technology	26,665,830	0.37%
15 Crown Cork & Seal	Manufacturing	26,345,770	0.37%
16 Centerpoint Energy	Utility Electric	23,687,620	0.33%
17 Sugar Land Hotel Associates LP	Hotels	22,196,590	0.31%
18 HSMEP Williams Trace LP	Shopping Center	19,727,970	0.28%
Other		6,415,994,795	89.59%
Total Net Assessed Valuation - Certified Roll		<u>\$7,161,903,125</u>	<u>100.00%</u>

(A) = Net of Tax Abatement

